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April Almanac: Top DJIA Month – Up 15 in a Row

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April marks the end of the "Best Six Months" for DJIA and the S&P 500. The window for our seasonal MACD sell signal opens on April 1st. From our Seasonal MACD Buy Signal on November 5, 2020 through the close on March 25, 2021, DJIA was up 14.9% and S&P 500 had advanced 11.4%. These above average gains are encouraging and suggest seasonality is back on track after getting derailed by Covid-19 last year.

April 1999 was the first month to gain 1000 DJIA points. However, from 2000 to 2005, "Tax" month was hit, declining in four of six years. Since 2006, April has been up fifteen years in a row with an average gain of 2.9% to reclaim its position as the best DJIA month since 1950. April is second best for S&P and fourth best for NASDAQ (since 1971).

The first trading day of April and the second quarter, has enjoyed notable strength over the past 26 years, advancing 18 times with an average gain of 0.27% in all 26 years for DJIA. However, five of the eight declines have occurred in the last eight years. The largest decline was last year when DJIA declined 4.44% (973.65 points). Other declines were in 2001, 2002 and 2005. S&P 500's record on April's first trading day matches DJIA, 18 advances in 26 years. NASDAQ recent performance is slightly weaker than DJIA and S&P 500, but the day is still bullish for technology stocks in general with more advances than declines during the same period.

The first half of April used to outperform the second half, but since 1994 that has no longer been the case. The effect of April 15 Tax Deadline (moved to May 17 for 2021) appears

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Post-Election Year April since 1950

	Rank[1]	Avg %	Up	Down
DJIA	2	1.9	11	6
S&P 500	4	1.5	11	6
NASDAQ*	4	2.4	10	2

[1] *Based upon the average historical monthly performance of the indices in comparison to other months of the year.*

** Since 1971*

April Vital Stats (1950-2020)

	DJIA		S&P 500		NASDAQ	
Rank[2]	1		2		4	
# Up	49		51		33	
# Down	22		20		17	
Average %	2.0		1.6		1.7	
4-Year Presidential Election Cycle Performance by %						
Post-Election	1.9		1.5		2.4	
Mid-Term	0.7		0.2		–0.1	
Pre-Election	3.9		3.5		3.6	
Election	1.5		1.3		0.9	
Best & Worst April by %						
Best	2020	11.1	2020	12.7	2020	15.4
Worst	1970	–6.3	1970	–9.0	2000	–15.6
April Weeks by %						
Best	4/9/2020	12.7	4/9/2020	12.1	4/12/2001	14
Worst	4/14/2000	-7.3	4/14/2000	-10.5	4/14/2000	-25.3
April Days by %						
Best	4/6/2020	7.7	4/6/2020	7.0	4/5/2001	8.9
Worst	4/14/2000	–5.7	4/14/2000	–5.8	4/14/2000	–9.7
April 2021 Bullish Days: Data 2000-2020						
	1, 5, 7, 9, 15, 16, 19, 22, 23, 27-29		1, 5, 7, 9, 16, 19, 22, 29		5, 7, 9, 13, 19, 22, 29	
April 2021 Bearish Days: Data 2000-2020						
	8, 30		8, 30		8, 30	

[2] *Based upon the average historical monthly performance of the indices in comparison to other months of the year.*
[3] *Based on the S&P 500 Rising 60% or more of the time on a particular trading day.*
[4] *Based on the S&P 500 Falling 60% or more of the time on a particular trading day.*

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to be diminished with numerous bullish days present on either side of the day. Traders and investors are clearly focused on first quarter earnings and guidance during April. This year, guidance is likely to be the greatest focus as the economy continues to reopen. Traders and investors will likely be looking for signs that "work-from-home" stocks can continue to grow and signs that leisure, hospitality, and travel are rebounding.

Typical post-election year blues have done little to damper April's performance since 1953. April is DJIA's second best month in post-election years, gaining 1.9% on average. April is fourth best for S&P 500 and NASDAQ. Although post-election year 2005 did suffer a 3% DJIA decline.

Good Friday (and Easter) lands at the beginning of April this year. Historically the longer-term track record of Good Friday (page 98 of STA 2021) is bullish with notable average gains by DJIA, S&P 500, NASDAQ and Russell 2000 on the trading day before. NASDAQ has advanced 19 of the last 20 days before Good Friday. Monday, the day after Easter has exactly the opposite record since 1980 and is in the running for the worst day after of any holiday. Since 2004 the day after has been improving with S&P 500 up 11 of the last 17.

April Outlook:
Late-March Weakness Sets Up End of Best Six Months Rally

The last month of our "Best Six Months" is now upon us. So it's the perfect time to provide a refresher for longtime readers and primer for those that have recently joined us. We do not simply "Sell in May and go away." We employ a more nuanced and subtle approach to how we implement our Best & Worst Months Switching Strategies detailed in the annual S*tock Trader's Almanac* and on www.stocktradersalmanac.com. We are **not issuing** the signal at this time.

As we prepare for our upcoming Best Six Months Seasonal MACD Sell Signal that can occur any time on or after April 1 there are several factors and aspects of the strategy we'd like to be sure you're up to speed on. DJIA's and S&P 500's "Worst Six Months" are May through October. NASDAQ's "Worst Four Months" are June through October. We begin tracking DJIA and S&P 500 for our "Best Six Months" MACD Seasonal Sell Signal on or after April 1. We begin tracking NASDAQ for its "Best Eight Months" MACD Sell Signal on or after June 1.

All three indices are currently in sell mode (as of 3/25/21 close). We will issue our Seasonal MACD Sell Signal when corresponding MACD Sell indicators applied to DJIA and S&P 500 both crossover and issue a new sell signal on or after April 1. We will not be issuing our NASDAQ Best Eight Months MACD Sell Signal until on or after June 1. Historical dates for the "Sell Signal" can be seen in the tables under the "Our Strategy" tab on the *Stock Trader's Almanac* website.

April Rally

Recent weakness following the Ides of March arrived on cue with historical seasonal trends as you can see in the chart below of the "S&P 500 One-Year Seasonal Pattern Since 1949." Weakness during the week after Triple Witching is rather typical as we discussed last month and as is detailed in the *Stock Trader's Almanac 2021*. Thursday, March 25th's late-day rebound is encouraging, but the last several days of March often succumb to end-of-Q1 selling pressures. Late-March weakness has frequently been recovered early in April.

Once those end-of-Q1 pressures are alleviated we expect April to deliver its usual upside performance. In fact, this recent weakness sets up well for an April rally. An April rally would in turn set up a solid Best Six Months MACD Seasonal Sell Signal. With only 7 S&P 500 losses in the last 31 years, April has been a consistent performer. April is the first month of the second quarter and welcomes in the new earnings season, which promises to help buoy stock prices as year-over-year comparison should be improved over last year's Covid-impacted numbers.

Seasonal patterns remain on track as you can see in the chart on page 3; though they are more pronounced from the powerful post-Covid bear market recovery rally and recent increased volatility. Levels may be more extreme, but the seasonal trends remain intact this year as they have been since September 2020 as we last illustrated in the December Outlook. 2021 as represented by the orange line in the chart has exhibited rather typical post-election year seasonal patterns with the late-February weakness, early March strength and the recent week after Triple Witching selling.

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April Outlook: Late-March Weakness Sets Up End of Best Six Months Rally

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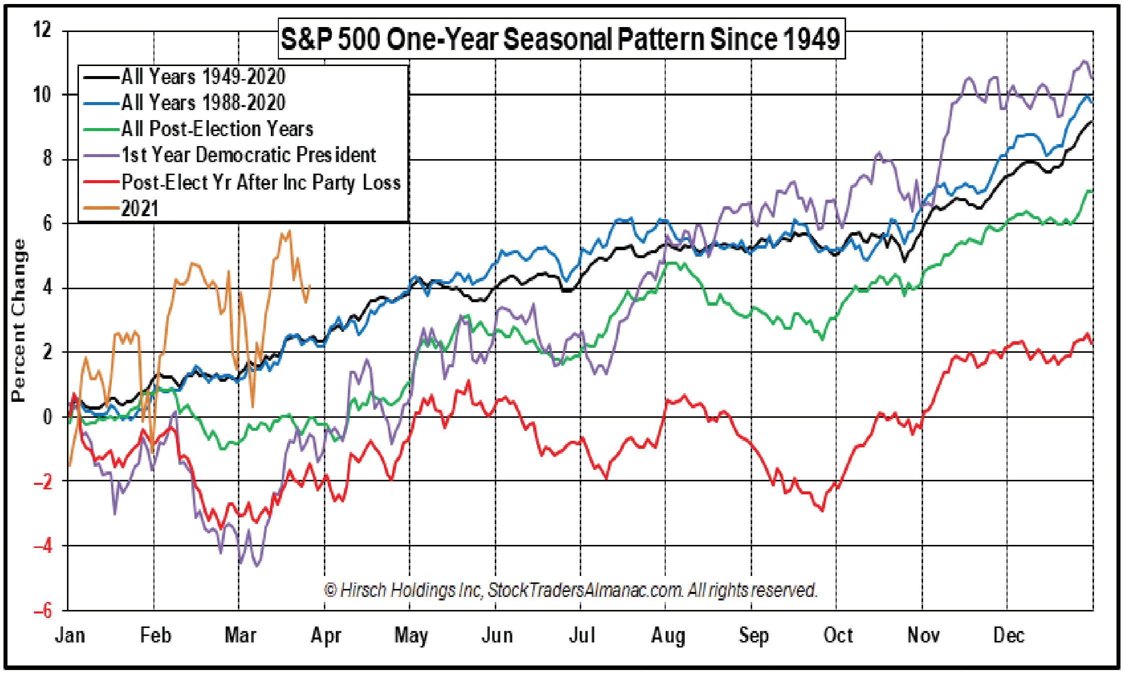

In addition to April bullish seasonality current fundamentals are supportive. Vaccines are rolling out as hoped and positive cases continue to retreat here in the States. The jobs market continues to improve and funds are flowing from the latest giant stimulus legislation. Q1 GDP and earnings are expected to be robust, but valuations are high and the threat of higher taxes could take the air out of the market.

The Fed has managed to appease the market for the time being, but if inflation fears ramp up quickly, pushing long bond yields higher, the market is prone to a correction or consolidation. Lingering pandemic/vaccine and geopolitical issues around the world, along with teetering market internals, a stretched technical picture, and the end of the Best Six Months November-April on the horizon, it is not inconceivable to expect the market to consolidate over the Worst Six Months May-October (AKA "Sell in May").

The market is also prone to some mean reversion after the 1-year gain of 74.8% on the S&P 500 from the March 23, 2020 low. We ran the numbers on the 1-year rolling returns for the S&P 500 back to 1949 on the blog on March 24th. While these giant spikes do come at the early stages of extended bull runs, gains of this magnitude have not been sustained and the market has tended to revert to the mean. The arithmetic mean or average rolling 1-year return since 1949 is 9.2%, which isn't bad either.

Last time we had a 1-year rolling return of this magnitude in 2010 when the S&P was up 68.6% on March 9, 2010 from the March 9, 2009 secular bear market low we had a 10.3% correction to the July 2, 2010 low and a 15.7% rolling 1-year return from March 9, 2010 to March 9, 2011. And let's not

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Index Definitions: The S&P 500 Index is an unmanaged composite of 500 large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. The Dow Jones Industrial Average ('DJIA') is an unmanaged composite of 30 widely held stocks. The NASDAQ Index is an unmanaged composite of the common stocks and similar securities listed on the NASDAQ Stock Market. The Russell 2000 Index is an unmanaged composite of the bottom 2,000 stocks in the Russell 3000 Index. The Russell 3000 Index is an unmanaged composite of the 3,000 largest publicly held companies incorporated in America as measured by total market capitalization. The Russell 2000 index is widely used by professional investors as a performance benchmark for small-cap stocks. You cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. The Wilshire 5000 is a market-capitalization-weighted index of the market value of all US-stocks actively traded in the United States. As of December 31, 2020, the index contained only 3,463 components. The index is intended to measure the performance of most publicly traded companies headquartered in the United States, with readily available price data. Past performance does not guarantee future results.

Moving Average Convergence Divergence (MACD): A trend-following momentum indicator that shows the relationship between two moving averages of prices.

Santa Claus Rally: Discovered and named by Yale Hirsch in 1972 and published in the 1*973 Stock Trader's Almanac.* Santa Claus tends to come to Wall Street nearly every year, bringing a short, sweet, respectable rally within the last five days of the year and the first two in January. This rally has been averaged 1.3% S&P 500 gain since 1969. Santa's failure to show tends to precede bear markets, or times stocks could be purchased later in the year at much lower prices.

Triple Witch Week: Is the week containing the third Friday in March, June, September and December when stock options, index options and index futures expire on Friday.

January Effect: Is the tendency of small-cap stocks to outperform large-cap stocks in January.

January Barometer: Devised by Yale Hirsch in 1972, and published in the *1973 Stock Trader's Almanac*, the January Barometer states that as the S&P 500 goes in January, so goes the year. This indicator has registered eleven major errors since 1950 for an 84.5% accuracy ratio.

April Outlook: Late-March Weakness Sets Up End of Best Six Months Rally

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forget the May 6, 2010 flash crash. While we are by no means "bearish" perhaps a little caution and portfolio defense in the near future is not a crazy idea.

The prospects for the resumption of the rally are encouraging, but heeding our "Sell Signal" when it arrives may reduce risk in the event April fails to live up to its reputation. Avoiding losses is even more important than making gains.

Market at a Glance

Seasonal: *Bullish.* April is the last month of DJIA and S&P 500 "Best Six Months." It is DJIA's best month since 1950, second best S&P 500 and fourth for NASDAQ. DJIA has been up 15 Aprils in a row. Remain vigilant as our Seasonal MACD Sell for DJIA and S&P 500 can occur anytime on or after April 1.

Fundamental: *Supportive.* Here in the U.S. vaccine rollout has accelerated and case counts have receded from their recent peaks which is supporting expanding economic activity. Weekly initial jobless claims have fallen to their lowest level since the start of the pandemic. Another massive stimulus package has been passed into law and funds are flowing. As of March 24, Atlanta Fed's *GDPNow* estimate of Q1 growth stands at a solid 5.4%. Pushing back on the positives is talk of higher taxes and valuations in some areas of the market.

"Atlanta Fed's GDPNow estimate of Q1 growth stands at a solid 5.4%. Pushing back on the positives is talk of higher taxes and valuations in some areas of the market."

Technical: *Diverging.* DJIA, S&P 500 and Russell 2000 all closed at new all-time highs in March. NASDAQ did not. All four have been retreating since mid-March. NASDAQ and Russell 2000 have slipped below their respective 50-day moving averages. DJIA and S&P 500 are still above their 50-day moving averages. Profit taking and/or rotation is likely underway. Until this abates and all four indexes exhibit strength, meaningful gains could be hard to come by.

Monetary: *0 – 0.25%.* No recent significant changes have occurred. The Fed has to walk a fine line to appease equity and bond markets and so far, it appears to be doing so as the 10-year Treasury yield has cooled. It seems reasonable to expect the Fed to unwind its current accommodative stance similar to the way it last did, slowly and well calculated.

Psychological: *Climbing.* According to Investor's Intelligence Advisors Sentiment survey Bullish advisors have rebounded to 57.4%. Correction advisors have slipped to 23.8% while Bearish advisors are at 18.8%. All of these numbers are about the middle of the range that has existed for months as there have been only a few bumps in the market's rocket-like move higher off of last March's lows. Current elevated bullish sentiment suggests a cautionary stance at least in the near-term.

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